

## FY 2016 CRA “B” Workpapers (Public Version)

### I. PREFACE

#### A. Purpose and Content

USPS-FY16-32, FY 2016 CRA “B” Workpapers, inputs and calculates volume variable and product specific costs by product for Market Dominant products and summary information for Competitive products by cost segment, for 12 of the 17 cost segments, including Postmasters, Supervisors, Clerks and Mail Handlers, City Carrier In-Office Activities, City Carrier Street Activities, Rural Carriers, Purchased Transportation, etc. These are used by USPS-FY16-31, CRA Model and USPS-FY16-2, Cost Segments and Components Report. USPS-FY16-32 contains electronic documentation of the spreadsheets and programs used to develop these costs.

This folder also contains, for the first time, a report entitled **Report on Estimation of Variabilities for Customer Care Centers**. This report, in pdf format, displays and discusses the results of re-estimating the variability equations included in its Status Report from Docket No. RM2015-5, Proposal Twelve.<sup>1</sup> The Commission directed the Postal Service to file an annual report that re-estimated the variability equations from its Status Report and to supply an explanation as to whether the data used to re-estimate the equations are sufficient to overturn Proposal Twelve’s Variability Assumptions regarding the cost elasticities of Customer Care Centers in CS3, Component 424.<sup>2</sup> The information requested by the Commission is included in the attached report.

#### B. Predecessor Document

USPS-FY15-32

#### C. Corresponding Non-Public Document

USPS-FY16-NP14, FY 2016 CRA “B” Workpapers

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<sup>1</sup> See Docket No. RM2015-5, Proposal Twelve, Status Report of the United States Postal Service Regarding Order No. 2462, August 28, 2015.

<sup>2</sup> See Docket No. RM2015-5, Proposal Twelve, Order No. 2826, November 19, 2015 at 5.

## D. Methodology

The “B” Workpapers documented in USPS-FY16-32 essentially follow the methods applied in the Commission’s FY 2015 Annual Compliance Determination (ACD). Although Order No. 3506 added inframarginal costs as a component of attributable costs going forward, the starting point for postal costing is and will remain the development of volume variable and product specific costs performed in the CRA Model (using inputs from this folder). Moreover, the Commission said in Order No. 3506 that “marginal costs should remain as the Postal Service’s basis for setting prices.”<sup>3</sup> Thus, costs calculated in the CRA “B” Workpapers that in previous years were categorized as attributable (under the old definition) are now this year classified as volume variable/product specific.<sup>4</sup>

Consequently, the “B” Workpapers documented in USPS-FY16-32 essentially follow the established methods to calculate volume variable and product specific costs as were applied in the Commission’s FY 2015 Annual Compliance Determination (ACD), except for the following modifications listed for the input workbook (I-Forms), and the applicable cost models contained within the set of “B” Workpapers in USPS-FY16-32. These changes are also included on the ‘Changes’ tab contained within each cost model workbook.<sup>5</sup>

### I-Forms – Input Forms

Tab I-Trial Bal. This tab contains new rows for International Product Specific costs in cost segments 7 and 13.

Tab I-Trial Bal. A correction was made to Cell E29 to properly link to the Trial Balance to input the total amount of ‘Other Vehicle Hire’ costs (Component 107).

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<sup>3</sup> Docket No. RM2016-2, Order No. 3506 (September 9, 2016) at 61.

<sup>4</sup> The row total uses the term Volume Variable. In the rare instances where the costs are product specific rather than volume variable, the column header will contain ‘Product Specific’. In CS06&7, tab ‘Outputs to CRA’ column 4, for example, is entitled ‘Product Specific Delivery Activities’.

<sup>5</sup> In addition to the specific changes list by workbook, minor structural changes that did not impact the costs were made to each workbook. The main purpose of these structural changes was to enable the automation of redacting rows to create the public version of this folder contained in USPS-FY16-32.

Cost Segment 6&7 – City Delivery Carriers

Tab 'Input CS6', Line 26. Cell E24 now links to I-Forms to identify International Product Specific costs from the reallocated Trial Balance. It replaced the obsolete line entitled Lump Sum.

Tab '7.0.4.1', Line 2. Line 2 was added to identify International Product Specific costs. Cell D10 is linked back to the corresponding cell on tab 'Inputs CS6'.

Tab '7.0.4.1', Line 3. Cell D11 subtracts the International Product Specific costs from total street costs. This avoids double counting the International Product Specific costs from Line 2 on Tab '7.0.4.1'.

Tab 7.0.6, Line 49. Cell AB63 assigns International Product Specific costs to International within the Delivery Activities Product Specific component (48).

Cost Segment 13 – Miscellaneous Local Operations

Tab 'Inputs', Line 2. Line 2 was added to identify International Product Specific costs from the reallocated Trial Balance within the 'Other and Product Specific Carfare' component (134).

Tab '13.2.3', Line 4. Cell D13 subtracts the International Product Specific costs from the 'Other and Product Carfare' component (134) to avoid double counting those costs.

Tab 'Outputs to CRA', Line 2. Line 2 assigns the International Product Specific costs from the 'Other and Product Specific Carfare' component (134) to International.

Cost Segment 14 – Purchased Transportation

Tab '14.3', Line 66. A correction was made to the formula in columns 10-14 to correct the calculation of the total quarterly/annual volume variable costs for the 'Peak' network. In FY 2015, row 59 (Line 60 in FY 2016) was erroneously not included in the calculation, which resulted in an \$814 K understatement of volume variable costs in the 'Peak' cost pool.

## E. Inputs/Outputs

The tables below show the ACR folders that serve as inputs/outputs to/from USPS-FY16-32.

### Input ACR Folders

Description	ACR Folder
Cost Segment and Components Reconciliation to Financial Statements and Account Reallocations	USPS-FY16-5
Cost Segment 3 Cost Pools and Other Related Information	USPS-FY16-7
City Carrier Cost System (CCCS) Documentation	USPS-FY16-34
Rural Carrier Cost System (RCCS) Documentation	USPS-FY16-35
Transportation Cost Systems (TRACS) Documentation	USPS-FY16-36
In-Office Cost System (IOCS) Documentation	USPS-FY16-37
2016 Rural Mail Count	USPS-FY16-40

### Output ACR Folders

Description	ACR Folder
Standard Mail and Periodicals Destination Entry Cost Model	USPS-FY16-13
Bound Printed Matter Transportation Cost Model and Bulk Parcel Return Service Cost Model	USPS-FY16-16
Delivery Costs by Shape	USPS-FY16-19
FY 2016 Market Dominant NSA Materials	USPS-FY16-30
CRA Model	USPS-FY16-31
FY 2016 Market Dominant Product Incremental Costs	USPS-FY16-43

## II. ORGANIZATION

The USPS-FY16-32 “B” Workpapers consists of twelve Excel workbooks, eleven of which present cost data by cost segments with many worksheets in each, and the other of which, I-forms, exports data to those cost segment workbooks.<sup>6</sup> Data sources are referenced in each spreadsheet. It also includes a pdf file entitled Report on Estimation of Variabilities for Customer Care Centers.

<sup>6</sup> The workbook CS06&7 has the cost models for cost segments 6 (City Carrier In-Office) and 7 (City Carrier Street).